

New Jersey General Eligibility Requirements Worksheet - Property/Casualty

A. CAPITAL & SURPLUS REQUIREMENTS

A1) STOCK COMPANIES - Pursuant to N.J.S.A. 17:17 et seq. below are the requirements for capital and surplus in dollars. An insurer must meet these requirements based on the lines of authority for which it is authorized by its state of domicile, whether or not it plans to write all of these lines in New Jersey. Put a check mark on each line that indicates a lines of authority for which the applicant is authorized by its state of domicile.

<u>Lines of Authority</u>	<u>NJ Capital Requirements</u>	<u>NJ Surplus Requirements</u>
___ Liability (¶ e).....	\$1,000,000	\$1,000,000
___ Fidelity and Surety (¶ g)	\$ 500,000	\$ 750,000
___ Fire, Earthquake, Crops (¶ a).....	\$ 200,000	\$ 100,000
___ Marine, Physical Damage (¶ b)	\$ 200,000	\$ 100,000
___ Boiler & Machinery (¶ f).....	\$ 200,000	\$ 100,000
___ Credit (¶ i)	\$ 200,000	\$ 100,000
___ Burglary & Theft (¶ j)	\$ 200,000	\$ 100,000
___ Glass (¶ k).....	\$ 200,000	\$ 100,000
___ Sprinkler Leakage (¶ l)	\$ 200,000	\$ 100,000
___ Livestock (¶ m).....	\$ 200,000	\$ 100,000
___ Smoke & Smudge (¶ n).....	\$ 200,000	\$ 100,000
___ Physical Loss to Buildings (¶ o)	\$ 200,000	\$ 100,000
___ Radioactive Contamination (¶ o)	\$ 200,000	\$ 100,000
___ Mechanical Breakdown (¶ o).....	\$ 200,000	\$ 100,000
Maximum without Health	\$3,500,000	\$2,750,000
___ Health (<u>N.J.S.A. 17B:17-4</u>).....	\$ 700,000	\$2,800,000
Maximum Total.....	\$4,200,000	\$5,550,000
___ Title (<u>N.J.S.A. 17:46B-7</u>)	\$ 500,000	\$ 250,000
___ Mortgage Guaranty (<u>N.J.S.A. 46A-3</u>)	\$1,000,000	\$1,000,000

To the right of the lines of authority are the New Jersey capital and surplus requirements. For example, if the applicant has authority for "Liability", then it must have a minimum of \$1,000,000 in

NOTES: The absolute minimum capital and surplus is \$500,000 and \$250,000.

There shall be deducted from surplus special deposits not held for all policyholders.

Please fill-in the domiciliary state's requirements for a New Jersey stock insurer applying for admission for the same lines of authority for which the applicant is authorized.

State of Domicile's Capital Requirement: _____

State of Domicile's Surplus Requirement: _____

If the minimum capital and surplus requirements are higher for a like New Jersey insurer applying for admission to your state of domicile, then the applicant must meet those higher requirements pursuant to N.J.S.A. 17:32-15. Retaliatory Law.

If the applicant's capital exceeds the minimum, the excess counts towards surplus. For example, if the applicant were authorized in its state of domicile for only liability and had capital of \$1,500,000 and surplus of \$ 700,000, then the minimum required capital is \$1,000,000 so the excess of \$500,000 in capital can be counted as part of surplus.

NOTE: One exception. Pursuant to N.J.A.C. 11:1-10.4(a)3ii, capital & surplus requirements may be reduced by the Commissioner to only those lines which the applicant actually transacts, if the applicant's Board of Directors passes a resolution stating the applicant will not issue, in any of the United States, those particular lines of insurance, which the applicant does not now transact. For example, the applicant has all lines of authority including accident and health on the certificate of authority from its state of domicile, but only has capital of \$3,500,000 and surplus of \$2,750,000. If the applicant has no health insurance business and its Board of Directors passes a resolution stating the applicant will not issue health insurance in any state, then the Commissioner may reduce the capital and surplus requirements to that of a company without health. Please note this reduction in requirements is not automatic.

Does the applicant meet or exceed the minimum capital and surplus requirements?

___ Yes. Go to Question B - IRIS.

___ No. Are you requesting a reduction in capital and/or surplus requirements pursuant to N.J.A.C. 11:1-10.4(a)3ii?

___ Yes. What line(s) of business will the applicant refrain from issuing in any state?
(None is not correct.)

Does this reduce the company's capital enough to meet New Jersey's requirements?

___ Yes. Go to Question B - IRIS.

___ No. We regret to inform you that the applicant is ineligible.

A. CAPITAL & SURPLUS REQUIREMENTS (continued)

- A2) **MUTUAL COMPANIES** - Pursuant to N.J.S.A. 17:17 et seq, below are the requirements for surplus in dollars. An insurer must meet or exceed these requirements based on the lines of authority for which it is authorized by its state of domicile, whether or not it plans to write all of these lines in New Jersey. Put a check mark on each line that indicates a lines of authority for which the applicant is authorized by its state of domicile.

<u>Lines of Authority</u>	<u>NJ Surplus Requirements</u>
___ Liability (¶ e).....	\$2,000,000
___ Fidelity and Surety (¶ g)	\$1,250,000
___ Fire, Earthquake, Crops (¶ a).....	\$ 150,000
___ Marine, Physical Damage (¶ b)	\$ 150,000
___ Boiler & Machinery (¶ f).....	\$ 150,000
___ Credit (¶ i)	\$ 150,000
___ Burglary & Theft (¶ j)	\$ 150,000
___ Glass (¶ k).....	\$ 150,000
___ Sprinkler Leakage (¶ l)	\$ 150,000
___ Livestock (¶ m).....	\$ 150,000
___ Smoke & Smudge (¶ n).....	\$ 150,000
___ Physical Loss to Buildings (¶ o)	\$ 150,000
___ Radioactive Contamination (¶ o)	\$ 150,000
___ Mechanical Breakdown (¶ o).....	\$ 150,000
Maximum without Health	\$4,750,000
___ Health (<u>N.J.S.A. 17B:17-4</u>).....	\$3,000,000
___ Maximum Total.....	\$7,750,000

To the right of the lines of authority are the New Jersey surplus requirements. For example, if the applicant has authority for "Liability", then it must have a minimum of \$2,000,000 surplus. If the applicant has all Property/Casualty lines except "Health" authority, then it must have a minimum of \$4,750,000 surplus.

NOTE: There shall be deducted from surplus special deposits not held for all policyholders.

Please fill-in the domiciliary state's requirements for a New Jersey mutual insurer applying for admission for the same lines of authority for which the applicant is authorized.

State of Domicile's Surplus Requirement: _____

If the minimum surplus requirement is higher for a like New Jersey insurer applying for admission to your state of domicile, then the applicant must meet those higher requirements pursuant to N.J.S.A. 17:32-15, Retaliatory Law.

NOTE: One exception. Pursuant to N.J.A.C. 11:1-10.4(a)3ii, the Surplus requirements may be reduced by the Commissioner to only those lines which the applicant actually transacts, if the applicant's Board of Directors passes a resolution stating the applicant will not issue, in any of the United States, those particular lines of insurance, which the applicant does not now transact. For example, the applicant has all property/casualty lines including health on the certificate of authority from its state of domicile, but only has surplus of \$5,050,000. If the applicant has no health insurance business and its Board of Directors passes a resolution stating the applicant will not issue health insurance in any state, then the Commissioner may reduce the surplus requirement to that of a mutual company without health authority. Please note this reduction in the surplus requirement is not automatic.

Does the applicant meet or exceed the minimum surplus requirement?

___ Yes. Go to Question B - IRIS

___ No. Are you requesting a reduction in the surplus requirement pursuant to N.J.A.C. 11:1-10.4(a)3ii?

___ Yes. What line(s) of business will the applicant refrain from issuing in any state?
(None is not correct.)

Does this reduce the company's capital enough to meet New Jersey's requirements?

___ Yes. Go to Question B - IRIS.

___ No. We regret to inform you that the applicant is ineligible.

B. IRIS

Has the applicant failed four or more NAIC IRIS tests based on the preceding year's annual statement?

___ No. Go to question C – Five Years Continuous Control.

___ Yes. Pursuant to N.J.A.C. 11:1-10.4(a)4i, an applicant is deferred until it has demonstrated to the Commissioner and its state of domicile that the IRIS ratio results are not indicative of a financial condition that may be hazardous to the policyholders, stockholders, claimants, creditors, or the general public. Please attach an explanation as to why these IRIS test failures do not indicate a hazardous financial condition and any correspondence between the applicant and its state of domicile regarding these IRIS test failures. Note: If the explanation is not to the Commissioner's satisfaction, the applicant will be deemed ineligible. Go to question C – Five Years Continuous Control.

C. FIVE YEARS CONTINUOUS CONTROL

Pursuant to N.J.S.A. 17:27A-1, control is presumed to exist if any person, directly or indirectly, owns, controls, or holds with power to vote 10% or more of the voting securities. Has there been a change in control during the last five years?

___ No. Go to question D - Five Years Continuous, Active Operations.

___ Yes. We regret to inform you that the applicant is ineligible for admission pursuant to N.J.A.C. 11:1-10.4(a)5(i) without either a Waiver or Capital and Surplus Guaranty. Go to Question G - Waiver.

D. FIVE YEARS CONTINUOUS, ACTIVE OPERATIONS

Has the applicant been continuously and actively engaged in the direct writing of insurance for the past five years?

___ Yes. Go to question E - Decrease in Surplus over Five Years.

___ No. We regret to inform you that the applicant is ineligible for admission pursuant to N.J.A.C. 11:1-10.4(a)5i without either a Waiver or Capital and Surplus Guaranty. Go to Question G - Waiver.

E. DECREASE IN SURPLUS OVER FIVE YEARS

Has the applicant's surplus decreased due to operations over the last five years?

___ No. Go to question F - Profitability.

___ Yes. We regret to inform you that the applicant is ineligible for admission pursuant to N.J.A.C. 11:1-10.4(a)5.ii(2) without either a Waiver or Capital and Surplus Guaranty. Go to Question G - Waiver.

F. PROFITABILITY

The applicant must demonstrate that, during the last five years, it has generated a net gain from operations, after federal income taxes, (statement page 4, line 16) in three of the last five years, of which one of these profitable years must be one of the two most recent years.

Please indicate your net gain from operations for each of the following years:

2001 _____ One of the first two

2000 _____ years must be positive

1999 _____ Two of these three

1998 _____ remaining years

1997 _____ must be positive.

Does the applicant meet or exceed the three out of five years profitability requirement?

___ Yes. Go to question I - Additional Items.

___ No. We regret to inform you that the applicant is ineligible for admission pursuant to N.J.A.C. 11:1-10.4(a)5.ii(1) without either a Waiver or Capital and Surplus Guaranty. Go to Question G - Waiver.

G. WAIVER WITHOUT CAPITAL AND SURPLUS GUARANTY

(1) The Commissioner may, upon the request of the applicant, on a case by case basis, waive the five year seasoning requirement mentioned in C, D, E, and F under the following circumstances pursuant to N.J.A.C. 11:1-10.4(a)5.iii(2).

The applicant meets all of the following criteria:

- * is the surviving insurer of a merger or consolidation,
- * at least one of the merged insurers was authorized to transact the same lines of authority as the applicant,
- * has been actively engaged in insurance for five years,
- * is currently in good standing.

Is the applicant claiming a waiver of the five years seasoning requirements based on a merger which satisfies the above outlined criteria?

___ Yes. Go to Question I - Additional Items.

___ No. We regret to inform you the applicant is ineligible for admission without a waiver. Go to Question H.

(2) The Commissioner may, upon the request of the applicant, on a case by case basis, waive the five year seasoning requirement mentioned in C, D, E, and F under the following circumstances pursuant to N.J.A.C. 11:1-10.4(a)5.iii(5):

Will the applicant obtain a surety bond or bonds issued by an insurance company or insurance companies approved by the Commissioner, with a minimum requirement of \$5,000,000 and issued for a period of time as shall be determined by the Commissioner, but which shall not exceed five years from the date the company is licensed in New Jersey?

___ Yes. Go to Question I - Additional Items.

___ No. We regret to inform you the applicant is ineligible for admission without a waiver. Go to Question H.

(3) The Commissioner may, upon the request of the applicant, on a case by case basis, waive the five year seasoning requirement mentioned in C, D, E, and F under the following circumstances pursuant to N.J.A.C. 11:1-10.4(a)5.iii(6):

The applicant must demonstrate to the Commissioner that the line or lines of insurance for which the applicant is seeking authority is underserved in New Jersey at the time the request for waiver is made. For purpose of this provision "line of insurance" shall be construed to mean a sub-line of business or category of business within the line, and shall not be construed to mean an entire line of business. Any applicant seeking a waiver of the five-year seasoning requirement pursuant to this provision shall submit a written request for such waiver which shall include the following:

- Such information and documentation as may be necessary to demonstrate to the Commissioner that there is no reasonable or adequate market among authorized insurers for the type of insurance coverage involved. In making this showing, the applicant shall demonstrate that there is, in fact, a market for the type of coverage involved in the request, that it is presently underserved, and that the applicant will serve that market. A showing that the coverage is presently listed on the Exportable List promulgated by the Commissioner pursuant to N.J.S.A. 17:22-6.43 and N.J.A.C. 11:1-34 shall be deemed to demonstrate that the coverage is presently underserved in this State.

- Documentation that the applicant possesses the requisite underwriting, managerial and financial capability and expertise to write the particular business involved in the request, to the extent the original application for admission does not so demonstrate: and
- A certification that the applicant acknowledges that if the request is granted and the applicant is admitted to transact business under such waiver, the applicant's authority to transact business shall be limited only to the type of coverage involved in the request, and that the applicant may not write any other business so long as it does not satisfy the seasoning requirements set forth in N.J.A.C. 11:1-10.4(a)5.
- Is the applicant claiming a waiver of the five years seasoning requirements based upon writing a line of business which satisfies the above outlined criteria and has it received a confirmation from the Commissioner to that effect?

____ Yes. Go to Question I - Additional Items.

____ No. We regret to inform you the applicant is ineligible for admission at this time. Go to Question H.

H. CAPITAL AND SURPLUS GUARANTY

The Commissioner may, upon the request of the applicant, on a case by case basis, waive the five year seasoning requirements mentioned above if the Board of Directors of an acceptable guarantor passes a resolution guarantying the applicant will meet New Jersey's minimum capital and surplus requirements during the first five (5) years of its operations in this State.

A copy of the guaranty resolution acceptable to the Department is included in our state specific forms.

A guaranty and guarantor may be acceptable under the following circumstances pursuant to N.J.A.C. 11:1-10.4(a)5.iii(1),(2), and (4):

- Case 1. The guarantor meets all of the following criteria:
- * is the parent of the applicant.
 - * has been authorized in New Jersey for at least five (5) years, and
 - * shall satisfy the Commissioner as to the soundness of its financial condition and methods of operation.

And the applicant meets all of the following criteria:

- * is the wholly owned subsidiary of the guarantor

- Case 2. The guarantor meets all of the following criteria:
- * is the parent of the applicant and an insurer,
 - * was authorized in New Jersey for at least one (1) year,
 - * was in operation for five (5) years prior to its own admission to New Jersey,
 - * shall satisfy the Commissioner as to the soundness of its financial condition and methods of operation,
 - * secured admission by satisfying the above requirements, and
 - * has two of the following ratings:
Standard & Poor's ratings of AAA or AA+;
A.M. Best ratings of A++ or A+;
NAIC ratings of A++ or A+.

Duff & Phelps ratings of AAA or AA+; or
Dun & Bradstreet evaluation acceptable to the Department.

And the applicant meets all of the following criterion:

- * is a wholly owned subsidiary of the guarantor.

Case 3. The guarantor meets all of the following criteria:

- * is the ultimate parent of the applicant,
- * is a non-insurance company,
- * the ultimate parent must be a US corporation,
- * has been actively engaged in business during the five (5) years prior to the application,
- * has a net worth, excluding investment in insurance or insurance related subsidiaries, of at least \$25,000,000, and
- * has a Dun & Bradstreet evaluation acceptable to the Department or two (2) of the listed ratings from these companies:
Standard & Poor's ratings of AAA or AA+;
A.M. Best ratings of A++ or A+;
Moody's ratings of Aaa or Aa1; or
Duff & Phelps ratings of AAA or AA+.

And the applicant meets all of the following criteria:

- * has completed three full years of continuous operation without a change in control,
- * has had gains from operations in two of the three years,
- * has an examination report conducted by its state of domicile subsequent to its first two years of operation and this report is in accordance with Department standards, and
- * has demonstrated a sound plan of operations in the opinion of the Commissioner.

Is the five (5) year Capital and Surplus Guaranty being provided?

___ Yes. Under which Case?

___ Case 1. Go to Question I - Additional Items.

___ Case 2. Go to Question I - Additional Items.

___ Case 3. Go to Question I - Additional Items.

___ No. If the applicant neither meets the five-year seasoning requirements nor meets the requirements for a Waiver, and no Capital and Surplus Guaranty is being provided, then the applicant is ineligible for admission. Please try again at a later date.

I. A COMPANY MAY SUBMIT THE WORKSHEET ALONG WITH THE FOLLOWING ADDITIONAL ITEMS, FOR NO CHARGE, IF IT WISHES THE DEPARTMENT TO REVIEW ITS ELIGIBILITY WORKSHEET PRIOR TO THE SUBMISSION OF A COMPLETE APPLICATION PACKAGE AND ADMISSION FEE.

1. Name of the applicant.

2. Name of any person or entity by which the applicant is controlled.

3. Applicant's current insurance holding company's name and short

4. Names of affiliated insurers authorized in New Jersey or applying for admission to New Jersey.
5. Lines of insurance for which the applicant wishes to apply.
6. Certified copy of the applicant's most recent annual statement prepared on the NAIC annual statement blank and including all supplemental exhibits and any quarterly statements issued subsequent to the annual statement.
7. Certified copy of the applicant's current certificate of authority from its state of domicile.
8. The results of the most recent NAIC IRIS tests and any related communications between the applicant and the NAIC or the applicant and any state concerning these IRIS results.

J. ADDITIONAL ITEMS REQUIRED FOR A COMPLETE APPLICATION SUBMISSION

1. A statement of ownership of the applicant. This statement shall include all shareholders of record who control five percent or more of the outstanding shares of the applicant, directly or indirectly.
2. A copy of any agreements by which the right to conduct or influence any of the affairs of the applicant is transferred to others.
3. Any employment or deferred compensation agreements in which any officer, director or shareholder who controls five percent or more of the outstanding shares of the applicant, directly or indirectly, participates.
4. Any tender offer materials (advertisements, invitations, etc.) if any tender offer has been made by the company or its parent to acquire another company within the three years preceding.
5. A schedule listing the following:
 - i. All jurisdictions in which the applicant has applied for authorization to transact the business of insurance during the preceding 10 years and the dates and results of such applications.
 - ii. All jurisdictions from which the applicant has withdrawn during the preceding 10 years, and the reasons for withdrawal.
 - iii. All administrative, civil or criminal actions, orders, proceedings and determinations thereof to which the applicant, or its affiliates, or any of its directors or principal officers have been subject, due to an alleged violation of any law governing insurance operations in any jurisdiction during the preceding 10 years. Where the alleged violation is a felony or its equivalent in a jurisdiction which does not use this designation of a crime, such actions, orders, proceedings and determinations shall include violations not related to insurance operations.
6. A summary of the applicant's reinsurance program on assumed and ceded business, indicated the name of the reinsurers, retentions, maximum risks, types of contract, excess of loss, and any other information which may be relevant to this part of the applicant's operation. Additional information may be requested by the Department in order to supplement or clarify information already provided by the applicant.
7. The number and ratio of complaints as defined by the state or country of domicile to the premium volume in the state or country of domicile, for those lines of business in which the state, or country of domicile makes such determinations
8. Copies of all management, exclusive agency, administrative services, or any other operation contracts with affiliates or non-affiliates, where applicable, signed by the parties and certified to by the company secretary and chief operating officer.
9. Current financial reports of the ultimate parent if not already supplied elsewhere.